

Ask the TIC

Starting An Export Company

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Trade Information Center

Individuals who wish to start their own businesses to export products or services from the United States may be confused about the appropriate steps to take to begin exporting. This article highlights some aspects of starting an export business and identifies important sources of information for budding exporters with entrepreneurial spirit.



WHERE CAN I GO FOR HELP TO ESTABLISH AN EXPORT BUSINESS?

The U.S. Small Business Administration (SBA) has provided financial, technical, and managerial assistance to help Americans start small businesses since 1953. The SBA has offices in almost every major U.S. city. It operates a toll-free "answer desk" at (800) 8-ASK-SBA, which refers callers to appropriate sources of information. The SBA also sponsors counseling, training, and information services, including the Service Corps of Retired Executives (SCORE), Business Information Centers (BICs), Small Business Development Centers (SBDCs), and Women's Business Centers (WBCs).

The SBA Web site (www.sba.gov) can lead you, step-by-step, through the process of establishing a business. Some of the topics include information about different forms of business entities, advice on choosing locations and price levels, help in finding financing, information about taxes, and other types of counseling.

For export legal assistance, contact the Export Legal Assistance Network (ELAN), a program established by the Federal Bar Association. It provides an initial legal consultation free of charge to companies just beginning to export. As part of ELAN, knowledgeable lawyers help new-to-export companies learn the legal aspects of international trade. To learn more about ELAN or to find the name of an ELAN attorney near you, see the ELAN Web site (<http://fita.org/elan>) or the "Ask the TIC" article, "Legal Resources and Options for the Exporter," found in the January 2001 issue of *Export America*.

A detailed book, *A Basic Guide to Exporting*, offers a good introduction to the fundamentals of exporting. To access it on-line, choose "Export Resources" on the Trade Information Center Web site. In addition, Braddock Communications has published two useful booklets, "The Small Business Financial Resource Guide" and

"International Marketing Resource Guide," both of which will be reissued later this year or in early 2003. These booklets will be available from U.S. Export Assistance Centers (USEACs) located around the United States, as well as from the Trade Information Center. A list of USEACs is on the back cover of this magazine.

Many colleges, universities, and other educational institutions offer courses on exporting. Some of these courses are available over the Internet. You can also inquire about export seminars offered in your region at your local USEAC.



IS A LICENSE REQUIRED TO START AN EXPORT BUSINESS?

Whether a sole proprietorship, general or limited partnership, or corporation, an export business must comply with business entity laws of the state, county, or city where it is located. State and local governments typically require some type of registration, usually in the form of a notice, when a business is opened. A tax identification number may also be required.

A business license from city or county government is nearly always needed to establish a firm. Federal, state, or local permits may also be required for some types of activities, such as drug development and production and food processing. To find out about license requirements where you live, contact your local or state government. Contact information is available on the Small Business Administration Web site (www.sba.gov) under "Your Government."

Though your locality may require a business license, a special license is not required to engage in exporting in most cases. However, exports to certain countries or individuals, or exports of certain products, may be restricted or require licenses or other types of approval. For example, the U.S. Commerce Department's Bureau of Industry and Security (BIS) issues licenses for the export of certain "dual-use" goods (i.e., items with both civilian and military applications). For more information about export licensing, see the "Ask the TIC" article about Export Control Classification Numbers in the February 2001 *Export America*, or visit the BIS Web site at www.bis.doc.gov.



WHAT ABOUT ASSISTANCE FOR MINORITY-OWNED BUSINESSES?

The U.S. Department of Commerce's Minority Business Development Agency (MBDA) funds business development centers around the country to assist with the establishment, expansion, and development of minority-owned firms. Minority Business Development Centers (MBDCs), Native American Business Development Centers (NABDCs), and Business Resource Centers (BRCs) provide management and technical assistance to minority entrepreneurs at every stage of business development. Minority Business Opportunity

Committees (MBOCs) coordinate federal, state, and local business resources. They are designed to identify opportunities and leverage existing programs to increase market access for minority-owned firms. The MBDA network offers assistance to identify sources of financing as well as to prepare financial and bonding proposals. However, the agency and its network do not make grants, loans, or guarantees. Contact the MBDA by e-mail at help@mbda.gov, on-line at www.mbda.gov, or by telephone at (202) 482-0404.

In addition, the Export-Import Bank (Ex-Im Bank) of the United States offers special financing terms for minority and women-owned businesses. Call the Ex-Im Bank's toll-free number, (800) 565-3946, for more information.



DOES THE FEDERAL GOVERNMENT OFFER FINANCING FOR EXPORT COMPANIES?

The SBA offers start-up companies financing through its 7(a) Loan Guaranty Program for purchase of real estate to house business operations; construction, renovation or leasehold improvements; acquisition of fixtures, machinery, and equipment; purchase of inventory; working capital, etc. This program operates through private sector lenders whose loans are guaranteed by the SBA. Most banks are familiar with SBA loan programs, so interested applicants should contact their local lenders for further information and assistance.

Both the Ex-Im Bank and the SBA offer an array of financing options designed to meet the needs of U.S. exporters who have been in business for more than one year. The SBA's Export Express program provides lenders with a repayment guaranty on loans of up to \$250,000 that are made to small businesses that have exporting potential but need funds to cover the initial costs of entering an export market, to buy or produce goods, or to provide services for export. The flexibility of the program allows loan proceeds to be used for most business purposes, including expansion, equipment purchases, working capital, inventory or real estate acquisitions. The program is especially suited for companies that have traditionally had difficulty in obtaining adequate export financing. Export financing can be arranged for a single transaction or on an ongoing basis. See the SBA contact information above for more on this and other SBA programs.

The SBA and Ex-Im Bank collaborate to offer an Export Working Capital Program (EWCP) to small businesses. The EWCP provides transaction-specific financing that can support the working capital needs of a small business by providing a 90 percent repayment guaranty to lenders who make export working capital loans to eligible small businesses. In general, the SBA handles small-scale transactions (EWCP loans of up to \$1.1 million), while the Ex-Im Bank handles applications of all sizes. Other Ex-Im Bank programs relate to buyer financing and export credit insurance. The Ex-Im Bank Web site provides more details at www.exim.gov.

The Export Finance Matchmaker is a Commerce Department program for exporters who have difficulty finding a bank to provide commercial financing for their exports. To explore this interactive service, visit www.ita.doc.gov/td/efm.



WHAT ASSISTANCE IS AVAILABLE TO HELP MARKET MY GOODS OVERSEAS?

There are many consultants who can provide marketing assistance. In addition, export trade intermediaries, including export management companies (EMCs) and export trading companies (ETCs), can help market goods abroad. Export intermediaries are specialized firms that market U.S. products and services abroad on behalf of manufacturers, farm groups, and distributors. These types of export intermediaries can act as a manufacturer's export arm, helping to establish an overseas market for the company's product, often on an exclusive basis. Many are supply-driven and thus maintain close ties with domestic manufacturers. Contact with overseas distributors is also important for this type of company. One of the many on-line listings of export service providers, including agents, EMCs and ETCs, can be found at www.myexports.com. Click on "U.S. Trade Assistance Directory for U.S. Export Service Providers," followed by "Sales Management Firms."



WHAT OTHER RESOURCES SHOULD I KNOW ABOUT?

The U.S. government export portal, www.export.gov, has considerable information on exporting. To locate information on specific countries' customs regulations, documentation requirements, tax and tariff rates, marketing information, and more, consult the Trade Information Center's Web site (www.export.gov/tic) or contact a trade specialist at (800) USA-TRAD(E). In addition, each *Country Commercial Guide* features country-specific economic data, trade regulations and standards, leading sectors, and market research. These guides are available on the U.S. Commercial Service site (www.usatrade.gov).

The Web site of this magazine contains numerous articles about promising markets, legal issues, licensing, financing, freight forwarding and logistics, and other topics for new exporters. Visit <http://exportamerica.doc.gov> for details, particularly the articles under the "Q&A" and "Technical Advice" links. ■

FOR MORE INFORMATION

The Trade Information Center (TIC) is operated by the International Trade Administration of the U.S. Department of Commerce for the 19 federal agencies comprising the Trade Promotion Coordinating Committee. These agencies are responsible for managing the U.S. government's export promotion programs and activities. You, too, can "Ask the TIC" by calling (800) USA-TRAD(E) toll free, Monday through Friday, 8:30–5:30 EST. Or visit the TIC's Web site at www.export.gov/tic.